



November 10, 2010

MEMORANDUM FOR BRIAN D. MILLER
INSPECTOR GENERAL (J)

FROM:

MARTHA JOHNSON
ADMINISTRATOR (A)

A handwritten signature in dark ink, reading "Martha Johnson", is written over the printed name and title.

SUBJECT: Inspector General's Assessment of the U.S. General Services Administration's Major Challenges

Thank you for providing me with the opportunity to review your assessment of the major challenges currently facing the U.S. General Services Administration (GSA) and our progress in addressing them.

GSA acknowledges these challenges and is implementing a broad range of measures to address them, including issuance of the Fiscal Year (FY) 2010 - 2015 Strategic Sustainability Performance Plan and establishment of the Sustainability Steering Committee; making additional efforts to improve the Multiple Award Schedule (MAS) program pricing and management and transition of government agencies from the FTS 2001 contracts to Networx contracts; continuing to implement an integrated financial management system; planning for Cloud Computing services and working to achieve the goals of the FY 2010 - 2012 IT Strategic Business Plan; and ongoing management of the Recovery Act work.

Please find attached our comments that provide information and clarification pertaining to the Greening Initiative, Acquisition Programs, and the Recovery Act.

We look forward to continuing to work with the OIG to minimize, if not eliminate, waste, fraud and abuse and promote greater government effectiveness and efficiency.

Attachment

AGENCY MANAGEMENT COMMENTS ON THE INSPECTOR GENERAL'S ASSESSMENT OF GSA'S MAJOR MANAGEMENT CHALLENGES



GSA's "Greening Initiative" – Sustainable Environmental Stewardship

Issue: Challenges exist in achieving GSA's sustainability and environmental goals

The Public Buildings Service (PBS) suggests that in addition to social and economic conditions in making site selections, there are many other factors related to Greening which are considered. PBS suggests that the Office of Inspector General (OIG) also include environmental conditions as a factor when making site selections.

Acquisition Programs

Issue: Multiple Award Schedules program

In this section, the OIG states that the authorized users of the Multiple Award Schedules (MAS) program "simply order supplies or services from the schedules (or catalogs) at the pre-negotiated prices and pay the contractors directly for their purchases."

The Federal Acquisition Regulation (FAR) states, in Subpart 8.4, that price reductions from awarded prices on the GSA Schedules may be sought at any time (at any dollar threshold) and regardless of whether products or services are being purchased. That is, the authorized users enjoy the ease of using a pre-awarded contract and not going through the time consuming effort of checking on past performance, terms and conditions, and compliance, but can still negotiate best value pricing as appropriate.

Further, the pending implementation of Section 863 of the 2009 National Defense Authorization Act will require any order in excess of the Simplified Acquisition Threshold to be competed in a manner which either results in three quotes/proposals or would reasonably anticipate the receipt of at least three quotes/proposals.

Pricing

In the MAS "Pricing" section, the OIG expresses concern "that the emphasis on related MAS program fundamentals – including pricing objectives and other pricing tools – has diminished."

In response, the Federal Acquisition Service (FAS) has a comprehensive and active strategy for assisting the GSA Contracting Specialists and Contracting Officers in negotiating fair and reasonable prices for MAS contracts. Additionally, FAS management has briefed the OIG on these activities. Collectively, these initiatives are evidence of the high level of attention and resources FAS is placing on the fundamental importance of pricing at the Schedule contract level.

The on-going activities include:

- A Procurement Information Notice (PIN) on pricing guidance that is due for release from the FAS Office of Acquisition Management. The PIN is a direct result of FAS concurrence with recommendations from the OIG and GAO and is part of several time phased action plans from ongoing audit resolutions.
- FAS Enterprise Acquisition Solution (EAS), specifically the functionality associated with the Formatted Pricing Tool, will initially include a price comparison tool for products, and eventually is anticipated to include the ability to capture and display task order pricing for Schedule purchases.
- Quarterly meeting of the MAS Governance Council and the MAS Summit where leadership reviews and directs opportunities for improvement in the program.
- The Rapid Action Modification II (RAM II) to capture and manage electronically the Basis of Award and price-discount relationship for each contract will result in much more current pricing disclosures, and when fully implemented, disclosures will be required on an annual basis.
- Options Project Ensuring iNtegrity (OPEN) is a Lean Six Sigma project to standardize and streamline the review and award of MAS contract Options which will also result in enhanced contract administration.
- A comprehensive training program for authorized users as well as awarding contracting officers to maximize the effective use of the Schedules program with particular emphasis on competition at the task order level, as specified by the Office of Management and Budget (OMB). There will be specific training modules on negotiating and awarding Schedule contracts which will include an emphasis on price negotiation as well as the use of field pricing assistance; and
- FAS-OIG Working Group which serves as a regular forum for FAS and OIG management to meet and discuss tactical and strategic issues.

The OIG also expresses concern regarding contractors with only federal sales, and also with those contractors who have created a “corporate structure to organizationally segregate their commercial business from their government business.” The OIG recently informed the MAS Program Office management of this concern and both parties share the same concerns. The pricing guidance noted previously will advise Contracting Specialists and Contracting Officers how to address such concerns. As an example, the circumstances of a particular offer may warrant a request for commercial sales information to support a fair and reasonable price determination where the contractor has attempted to build a corporate “firewall” otherwise protecting such information from disclosure requirements.

Other Considerations Impacting MAS

In this section, concerns in two areas regarding the rewrite of the General Services Administration Manual (GSAM) are noted by the OIG:

1. “Proposed changes will result in a major weakening of the controls over the MAS program, make the MAS program less useful to user agencies, and waste significant amounts of taxpayer dollars,” and
2. “Issuance of the Final Rule in its current form, with significant changes that have not been published or otherwise publicly communicated, would not be consistent with the Administration’s emphasis on transparency in government operations. We believe the number and extent of changes from the originally published proposed rule warrant a new round of public comment.”

Based upon public comments and ongoing Federal Supply Schedule (FSS) program changes (previously noted), the final rule contains a number of changes aimed at updating policy to reflect evolving FSS program needs, fostering greater consistency across the FSS program, and strengthening its ability to achieve better value for the government and the taxpayer.

Republishing the General Services Administration Regulation (GSAR) Part 538 rewrite as a proposed rule would be harmful to GSA's ability to meet the Administration's priorities through the FSS program, specifically in fostering transparency, competition, and acquisition savings in achieving better value for the government and the taxpayer.

Contract Workload Management

The issue of workload management is addressed by several of the previously noted FAS initiatives in the area of process improvement and systems enhancements. The EAS will support end-to-end electronic contracting, which will enable FAS to transfer contract files from region to region to maintain a balanced workload across the Schedules program. Process improvements will eliminate unnecessary steps in the acquisition process, build consistency where appropriate, and provide contracting personnel with the tools and resources necessary to negotiate and award MAS contracts in an effective and efficient manner.

Networkx Management Challenge

The Networkx contracts have an acquisition ceiling of \$68.2 billion; however, the ultimate acquisition value should be considerably below this ceiling.

GSA is taking action across a broad spectrum of stakeholders including:

- Working closely with OMB;
- Keeping Congress fully informed of transition progress;
- Communicating best practices to all agencies;
- Working directly to support agencies who have requested assistance, and
- Resolving any issues with all telecommunications contractors.

In addition, GSA is developing follow-on sole source contracts to support a very small number of agencies that are expected to need short-term support beyond the May/June 2011 expiration dates. While the Networkx transition is a large effort for all agencies, once fully implemented, Networkx will significantly reduce the current telecommunications costs as well as greatly improve its core infrastructure.

American Recovery and Reinvestment Act Impact

Issue: GSA will continue to be challenged by the implementation of the American Recovery and Reinvestment Act of 2009.

GSA is assessing projects based on their scope of work and the need to have full project management plans for each. Where projects are large and work complex, GSA is using full project management plans. Where projects are smaller or less complex, GSA will ensure that an appropriate project management plan is developed. This work is currently underway and GSA anticipates identifying the projects and the associated project plans by mid-November 2010.